

**Council Meeting: June 11, 2013****SUBJECT: Annual Public Hearing on FY 2013/14 Budget and Resource Allocation Plan and Establishment of Appropriations Limit****BACKGROUND**

The City Charter requires a Public Hearing be held prior to the adoption of the City's budget and resource allocation plan. Specifically, Section 1303 of the City Charter states:

*“At the time so advertised, or at any time to which Public Hearing shall from time to time be adjourned, the City Council shall hold a Public Hearing on the proposed budget, at which interested persons desiring to be heard shall be given such opportunity.”*

Further, Article XIII B of the California Constitution established appropriations limits on government agencies within California. Originally established by Proposition 4 in 1979, the appropriations limit places a maximum limit on the appropriations of tax proceeds that can be made by the state, school districts, and local governments in California. The limit uses 1978-79 as the “base” year and is adjusted each year for population growth and cost of living factors. The purpose of the appropriations limit is to preclude state and local governments from retaining excess revenues, which are required to be redistributed back to taxpayers and schools. To date, the City has not exceeded its appropriations limit in any year. Section 7910 of the Government Code requires that the City annually adopt an appropriations limit for the coming year. The supporting documentation for the establishment of the limit must be available for public review at least 15 days prior to the adoption of the appropriations limit resolution. The required material that provides detailed information on the City's appropriations limit has been available for public review since May 6, 2013 (Attachment A). The material is included in Volume I of the FY 2013/14 Recommended Budget and Resource Allocation Plan.

**EXISTING POLICY**

In accordance with the City Charter, the California Constitution, and the California Government Code, a public hearing has been held annually for public comment on the budget and resource allocation plan and appropriations limit for the upcoming fiscal year. In addition, Council Fiscal Policy provides:

7.1A.1.7: *At least one public hearing shall be held after the City Manager's recommended budget is presented to the Council in order to solicit public input before adoption.*

*7.1A.1.8: Boards and Commissions should review the annual budget as appropriate to their area of interest and make recommendations to the City Council.*

*7.1A.1.14: Final actions on study items with significant financial impacts should be withheld until they can be made in the full context of the annual budget process.*

## **DISCUSSION**

The purpose of the public hearing is to furnish an opportunity for residents to voice their opinions on the City's budget and the appropriations limit. Legal notices of the hearing were published in the *Sunnyvale Sun* on May 31st and June 7th (Attachment B). No action is required on the part of the City Council at the hearing. The FY 2013/14 Budget and Resource Allocation Plan is scheduled for adoption on June 25, 2013.

### **Appropriations Limit**

The appropriations limit is set on an annual basis and is dependent upon the change in population within the jurisdiction and the change in the cost of living as determined by the State. As shown in Attachment A, the appropriations limit for FY 2013/14 is \$185,392,477. Expenditures subject to the appropriations limit exclude Redevelopment Successor Agency activity, enterprise and internal service activity, debt service payments, and capital outlay projects purchased with tax proceeds that have a useful life of ten years or more and a value that exceeds \$100,000. Non-tax revenues, such as federal and state grants, fees for service, or revenues restricted for particular purposes are also excluded from the calculation. As a result of the calculations, the City will be under the allowable appropriations limit by approximately \$85.4 million for FY 2013/14.

### **FY 2013/14 Recommended Budget**

On May 23, 2013, the City Council held a Budget Workshop to review in detail the City Manager's FY 2013/14 Recommended Budget and Resource Allocation Plan. The Plan includes total revenues of approximately \$272.6 million. The total recommended budget for all expenditures is approximately \$285.1 million. Of that total, \$225.5 million is for operating; \$50.1 million is for projects, project administration, and equipment; and \$9.5 million is for other expenditures including debt service (\$7.2 million) and lease payments (\$2.2 million). Planned use of reserves totals \$12.5 million Citywide, which factors in drawdowns and additions to reserves across all funds. A total of approximately \$22.4 million in reserve funds are planned to be drawn from the Park Dedication and Wastewater Funds for project expenditures, including capital and infrastructure improvements to community parks and recreational facilities and the critical "Manage the Gap" projects at the Water Pollution Control Plant. It is also important to note that these significant drawdowns on reserves are offset by additions to reserves in a number of funds, including a net increase to total General Fund reserves of \$4.5 million.

### **FY 2013/14 Budget Supplements**

For the FY 2013/14 Recommended Budget, five budget supplements are presented for Council consideration. Budget Supplement No. 4 is separated into eight recommendations, one for each 2013 Priority Study Issue that Council deferred taking action on during the adoption of the 2013 Tentative Council Meeting Agenda Calendar. These eight study issues that require additional funding are now considered in the context of the FY 2013/14 Recommended Budget in the form of a budget supplement.

A brief summary of all budget supplements presented for Council consideration is below. A more complete description of each budget supplement is included in Volume I of the FY 2013/14 Recommended Budget.

Budget Supplements Recommended for Funding:

- *Funding for Neighborhood Grants:* This supplement would provide one-time funding to support neighborhood projects and events through Council-approved grants. Approval of this supplement would appropriate \$6,125 from the General Fund. Should funds be approved, neighborhood grant funding applications will be considered via a competitive application process facilitated by Council's Community Events and Neighborhood Grant Distribution Subcommittee. Since this supplement is being recommended for funding, the cost has already been incorporated into the FY 2013/14 Recommended Budget.
- *Funding for Community Events Grants:* This supplement would provide one-time funding to support community-initiated special events through Council-approved grants. Approval of this supplement would appropriate \$10,000 from the General Fund. Should funds be approved, neighborhood grant funding applications will be considered via a competitive application process facilitated by Council's Community Events and Neighborhood Grant Distribution Subcommittee. Since this supplement is being recommended for funding, the cost has already been incorporated into the FY 2013/14 Recommended Budget.
- *Funding for Leadership Sunnyvale:* This supplement would provide one-time funding to support the Leadership Sunnyvale public affairs training program provided by Silicon Valley Leadership. Approval of this supplement would appropriate \$6,000 from the General Fund. Silicon Valley Leadership has experienced declining enrollments over the past five years and did not meet its target performance measure of 18 participants in FY 2012/13. Approval of funding is contingent upon the target success of 18 participants in the program. Since this supplement is being recommended for funding, the cost has already been incorporated into the FY 2013/14 Recommended Budget.
- *Study Issue ESD 13-01 – Power Purchase Agreements for Alternative Energy Allocation:* This supplement would fund a study to evaluate the City's participation in a Power Purchase Agreement to acquire alternative energy on City-owned or controlled facilities. This study would be limited to utility sites only and would cost \$50,000. Approval of this supplement would appropriate approximately \$16,667 from each of the Water, Wastewater and Solid Waste Funds. Since this supplement is being recommended for funding, the cost has already been incorporated into the FY 2013/14 Recommended Budget.
- *Study Issue DPW 13-11 – Community Solar Array System:* This supplement would fund a study to determine the feasibility of constructing and operating a large solar array. Approval of this supplement would appropriate \$15,000 from the General Fund. Since this supplement is being recommended for funding, the cost has already been incorporated into the FY 2013/14 Recommended Budget.

- *Funding for Dispute Resolution Services:* This supplement would provide one-time funding for dispute resolution and mediation services by a qualified provider. Approval of this supplement would appropriate \$20,000 from the General Fund. Since this supplement is being recommended for funding, the cost has already been incorporated into the FY 2013/14 Recommended Budget.

Budget Supplements Recommended for Funding, Contingent on Grant/Outside Funding:

- *Study Issue DPW 13-10 – Pilot Bicycle Boulevard Project on East-West and North-South Routes:* This supplement would fund a study of north-south and east-west bicycle boulevards in two Sunnyvale corridors. Should grant funding be secured, this study is expected to cost \$60,000.
- *Study Issue DPW 13-15 – Protecting Burrowing Owl Habitat on City Facilities:* This supplement would fund a study to determine the extent of the burrowing owl habitat in Sunnyvale and evaluate the efficacy of existing wildlife and habitat management plans. Should grant funding be secured, this study is expected to cost \$25,000.
- *Study Issue ESD 12-01 – Community and Operational Greenhouse Gas Inventory:* This supplement would fund a study to identify options that accurately track and report data necessary to complete a greenhouse gas emissions inventory. Should grant funding be secured, this study is expected to cost \$30,000.
- *Study Issue ESD 12-04 – Community Solar Program:* This supplement would fund a study to examine the potential benefits of a City-sponsored community solar program for Sunnyvale residents. Should grant funding be secured, this study is expected to cost \$20,000.

Budget Supplements – Recommended for Deferral:

- *Study Issue ESD 13-05 – Ecodistrict Feasibility and Incentives:* This supplement would provide General Fund support to study the feasibility of ecodistricts in Sunnyvale and to identify incentives for developers to enhance neighborhood sustainability. This study is expected to cost \$50,000 and is not a viable candidate for grant funding. Staff has recommended deferral of this study until the Climate Action Plan and the Land Use and Transportation Element are finalized, as the results of these studies will impact the timing and the future funding of the Ecodistrict Feasibility and Incentives study.

Budget Supplements – No Action Required:

- *Study Issue DPW 13-13 – Feasibility of Establishing a Community Animal Farm for Children at the Sunnyvale Landfill:* This supplement would fund a study to explore the feasibility of allowing Animal Assisted Happiness to lease portions of the Sunnyvale Landfill. As a result of the interest in potential uses of the landfill site, a special project, Landfill Hills Recreational Master Plan, has been proposed in the FY 2013/14 Recommended Budget. This project incorporates consideration of a community animal farm at the landfill, and therefore no action is required from Council on this particular supplement.

### **May 23, 2013 Budget Workshop**

Staff provided a detailed presentation on the City's FY 2013/14 Recommended Budget and Resource Allocation Plan at the Budget Workshop. At the workshop, there were several changes to the Budget that were discussed. Based on Council direction, the FY 2013/14 Budget and Resource Allocation Plan now reflects the following updates:

- The total appropriation for Council travel has been increased by \$8,444 for FY 2013/14. This brings the total Council travel budget to \$53,400, which is \$6,675 per Councilmember plus an additional \$6,675 for the Mayor.
- Funding for the Orchard Heritage Park project has been moved in one year and is now set to begin in FY 2014/15.
- The Stevens Creek Trail project has been reclassified from an unfunded project to a funded project. Total project costs are estimated at approximately \$750,000, with the City's share being \$212,000 of that amount. The funding source for the City's share is the Park Dedication Fund, and the project is programmed to get underway in FY 2015/16.
- \$100,000 has been programmed in FY 2015/16 for a new project to do an initial study of developing bicycle and pedestrian trails at Moffett Park. Funding for this study will come from the Park Dedication Fund.

Further, Council asked for information and/or clarification on a number of other issues. The question that was asked about the Balanced Growth Index is addressed in Attachment C. The other issues are in process of being addressed by staff, and Council will be provided the requested information through a City Manager's Bi-weekly Report item, a revised Council Policy, a study session, or a report to Council. The list of pending Council requests is included as Attachment D.

### **Boards and Commissions Budget Review**

All of the City's boards and commissions have had the opportunity to review the FY 2013/14 Recommended Budget, which was made available beginning May 6, 2013. Boards and commissions wishing to make comments, suggestions, or recommendations have the opportunity to testify at the June 11, 2013 public hearing. Testimony from the hearing, as well as draft board and commission meeting minutes discussing the Budget, will be included in the Budget Adoption Report to Council.

### **FISCAL IMPACT**

There is no fiscal impact to this public hearing. Budget adoption is scheduled for June 25, 2013.

### **PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's Web site. Legal ads were published in *The Sunnyvale Sun* on May 31, 2013, and June 7, 2013. Finally,

the City's website has included the entire FY 2013/14 Recommended Budget and Resource Allocation Plan since May 6, 2013.

**RECOMMENDATION**

It is recommended that the Public Hearing be held to meet the legal requirements of the City Charter, the California Constitution, and the California Government Code. Council should provide direction to staff on any issue requiring further review prior to the adoption of the FY 2013/14 Budget on June 25, 2013.

Reviewed by:

Grace K. Leung, Director, Department of Finance  
Prepared by: Drew Corbett, Assistant Director of Finance

Approved by:

Gary Luebbers, City Manager

**Attachments**

- A. Appropriations Limit
- B. Legal Notice of Public Hearing
- C. Balanced Growth Index Information
- D. Pending Council Requests

**CITY OF SUNNYVALE  
CALCULATION OF APPROPRIATIONS LIMIT  
FY 2013/2014 Adopted Budget**

	<u>FY 2012/2013</u>	<u>FY 2013/2014</u>
<b>Appropriations:</b>		
035. General Fund	\$ 128,446,531	\$ 136,804,780
070. Housing Fund	14,151,896	1,727,580
071. Home Fund	1,910,554	2,558,541
110. Community Development Block Grant Fund	1,531,918	1,402,437
141. Park Dedication Fund	762,843	594,335
175. Public Safety Forfeiture Fund	149,283	149,773
190. Police Services Augmentation Fund	281,106	229,693
210. Employment Development Fund	7,936,399	7,360,796
245. Parking District Fund	174,286	219,566
280. Gas Tax Fund	2,443,914	2,198,533
285. Transportation Development Act Fund	94,203	-
295. Youth and Neighborhood Services Fund	746,558	739,514
385. Capital Projects Fund	7,173,065	3,126,770
610. Infrastructure Renovation and Replacement Fund	6,789,608	11,892,564
	<u>172,592,164</u>	<u>169,004,882</u>
<b>Total Appropriations</b>		
<b>Appropriation Adjustments:</b>		
Non-Tax Revenues	(70,117,647)	(66,101,359)
Qualified Capital Outlay	(245,534)	(2,955,000)
	<u>(70,363,181)</u>	<u>(69,056,359)</u>
<b>Total Appropriation Adjustments</b>		
<b>Appropriations Subject to Limit</b>	<b>102,228,983</b>	<b>99,948,523</b>
Growth Rate Factor	1.0524	1.0755
<b>Total Allowable Appropriations Limit</b> <i>(Prior Year Appropriations Limit x Growth Rate Factor)</i>	<u>172,380,712</u>	<u>185,392,477</u>
<b>Amount Under (Over) Allowable Appropriations Limit</b>	<u>\$ 70,151,729</u>	<u>\$ 85,443,954</u>

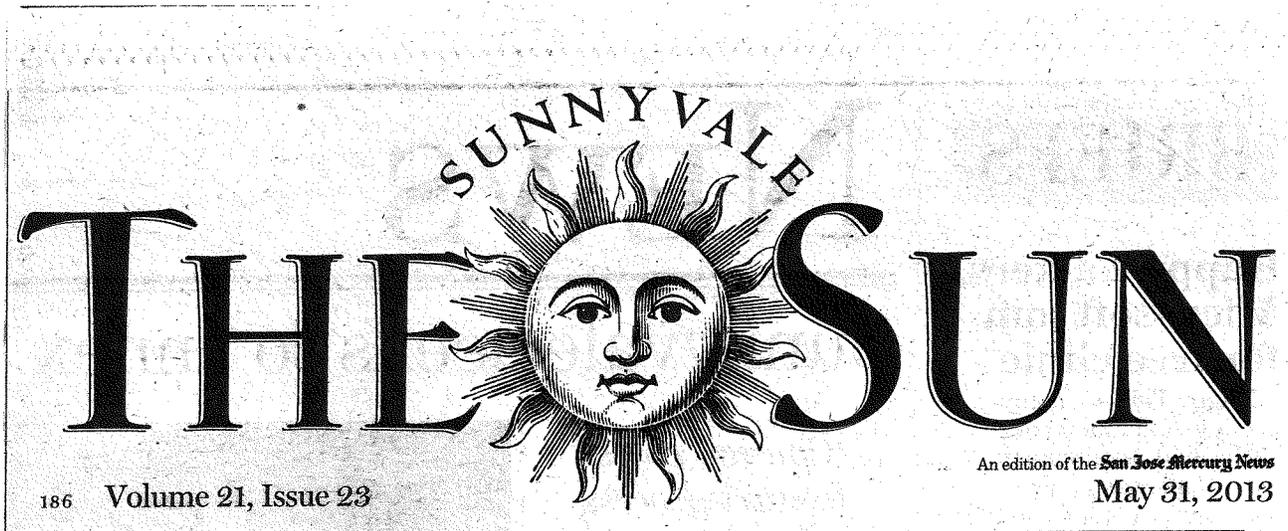
**CITY OF SUNNYVALE  
CALCULATION OF APPROPRIATIONS LIMIT  
FY 2013/2014 Adopted Budget**

	<b>FY 2012/2013</b>	<b>FY 2013/2014</b>
<b>Revenues:</b>		
<b>Tax Revenues:</b>		
Property Tax	\$ 44,600,118	\$ 49,025,162
Sales Tax	32,779,843	33,643,158
Other Taxes	18,764,604	19,801,521
Non-Restricted State Shared Revenues	226,000	222,000
Interest Income	486,466	625,548
	<b>96,857,031</b>	<b>103,317,388</b>
<b>Non-Tax Revenues:</b>		
Federal Grants	10,692,857	10,205,441
Restricted State Shared Revenues	3,693,181	4,712,075
State Grants/Reimbursements	206,337	105,684
Other Intergovernmental Contributions	1,283,721	675,654
Franchise Fees	6,521,751	6,559,287
Permits and Licenses	6,497,076	6,871,518
Service and Development Fees	17,680,351	16,089,232
Rents and Concessions	2,616,569	2,400,137
Fines and Forfeitures	1,204,581	1,115,936
Housing Loan Repayments	2,424,428	3,314,971
Miscellaneous	10,635,353	7,993,417
Inter-Fund Loan Repayments	6,303,232	5,657,788
Interest Income	358,210	400,219
	<b>70,117,647</b>	<b>66,101,359</b>
	<b>Total Revenues</b>	<b>Total Revenues</b>
	<b>\$ 166,974,678</b>	<b>\$ 169,418,748</b>

**CITY OF SUNNYVALE  
APPROPRIATIONS LIMIT  
FY 2013/2014 Adopted Budget**

	<u>AMOUNT</u>	<u>SOURCE</u>
A. LAST YEAR'S LIMIT	\$ 172,380,712	Prior Year
B. ADJUSTMENT FACTORS		
1. Population (1.0231%)	1.0231	State Department of Finance
2. Inflation (5.12% )	1.0512	State Department of Finance
	1.0755	(B1*B2)
<b>Total Adjustment %</b>	0.0755	(B1*B2-1)
C. ANNUAL ADJUSTMENT	\$ 13,011,765	(B*A)
D. OTHER ADJUSTMENTS:		
Lost Responsibility (-)	0	
Transfer to private (-)	0	
Transfer to fees (-)	0	
Assumed Responsibility (+)	0	
Sub-total	<u>-</u>	
E. TOTAL ADJUSTMENTS	\$ 13,011,765	(C+D)
F. THIS YEAR'S LIMIT	<u><u>\$ 185,392,477</u></u>	(A+E)

Legal Notice of *Public Hearing – FY 2013/14 Budget and Resource Allocation Plan, Establishment of Appropriations Limit, and Proposed Fee Increases* as it appeared in ***The Sunnyvale Sun, Vol. 21, Issue 23***, May 31, 2013, page 22. The notice also appeared on June 7, 2013



**CITY OF SUNNYVALE  
NOTICE OF PUBLIC  
HEARING**

**JUNE 11, 2013  
BUDGET AND ANNUAL  
FEE REVIEW AND  
ESTABLISHMENT OF AP-  
PROPRIATIONS LIMIT**

A Public Hearing on the City of Sunnyvale's Fiscal Year 2013/14 Recommended Budget will be held on Tuesday, June 11, 2013 at 7:00 p.m. in the Sunnyvale Council Chambers, 456 West Olive Avenue, Sunnyvale, Ca. At the hearing, citizens are invited to provide comments, suggestions, or questions regarding the City's FY 2013/14 Recommended Budget. Copies of the budget are available for public review at the Sunnyvale Library, City Clerk's Office, and Finance Department during regular business hours. The Recommended Budget is also available on the City's website at [Budget.inSunnyvale.com](http://Budget.inSunnyvale.com). Included in the Public Hearing for the FY-2013/14 Recommended Budget are proposed fees and charges for City services, establishment of the Expenditure Appropriations Limit, and project revenues and expenditures for the next 20 years.

(Pub: 05/31/2013)  
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## **Balanced Growth Profile**

Council was provided with two charts in *Community Condition Indicators* section of the FY 2013/14 Recommended Budget. The first chart, 2012 Balanced Growth Profile – Completed Projects, has traditionally been provided in the budget document. This year's version shows the status of balanced growth indicators at the end of 2012. Residential and non-residential projects are included once a certificate of occupancy has been issued for the dwelling units or buildings. It should be noted that this includes office projects where a certificate of occupancy for the shell building has been issued but the building may be unoccupied or is pending completion of tenant improvements. This chart shows that completed Housing Units are about 24% of planned growth and completed Office/Industrial Floor Area is about 26% of planned growth.

The second chart included in the budget document, which is a new item, adds the housing units and floor area of approved but not yet built or completed projects. The additional units and floor area represent projects that on December 31, 2012, were in various stages of building permit review or construction, or have obtained planning approval but have not yet submitted a building permit application. This chart only adjusts the numbers for Housing Units and Office/Industrial Floor Area and not the other balanced growth indicators. The chart shows that completed/approved Housing Units are about 38.5% of planned growth and completed/approved Office/Industrial Floor Area is about 67.5% of planned growth. It should be noted that approved projects may not necessarily be built in the next several years; for instance, some office projects represent a phased development plan with timing dependent on company growth or economic conditions.

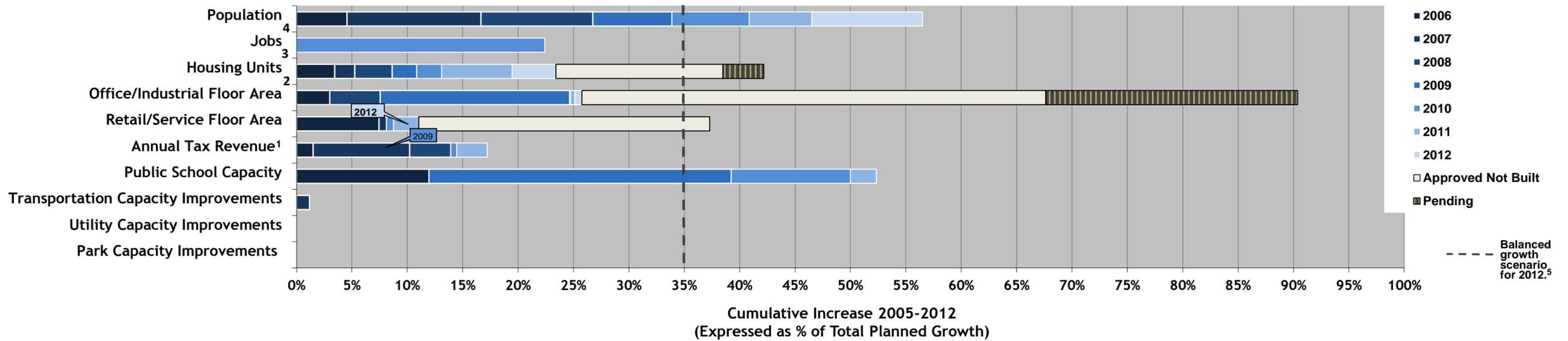
Exhibit 1 of this attachment is a third chart that includes projects where an application is pending (i.e. application has been filed but not yet acted upon by the City.) This chart is similar to the chart presented at the joint City Council/Sunnyvale School District study session for the purpose of forecasting potential school mitigation fees and student generation in the next five years. Some of these pending projects might be modified, might not be approved, or if approved might never be constructed. This chart shows that completed/approved/pending Housing Units are about 42% of planned growth and completed/approved/pending Office/Industrial Floor Area is about 90% of planned growth.

Finally, below is a link to the Community Vision (pp. 53-58) that describes how the Balanced Growth Profile should be used to monitor growth for City-wide land use and infrastructure planning. This discussion is also included in the Consolidated General Plan (pp. 2-44 to 2-49).

<http://sunnyvale.ca.gov/Portals/0/Sunnyvale/CodesAndPolicies/GeneralPlan/FINALCommunityVisionElement.pdf>

**2012 BALANCED GROWTH PROFILE INCLUDING PENDING AND APPROVED BUT NOT YET BUILT NONRESIDENTIAL FLOOR AREA AND HOUSING UNITS IN 2012**

Balanced Growth Indices	Base Year 2005	GOAL FOR 2025	Total Planned Growth Net Increase 2005 to 2025	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2012 Increment Increase (actual since 2011)	2012 Increment (% of Total Planned Growth)	2012 Approved Projects NOT BUILT	2012 Pending Projects
Park Capacity Improvements		n/a	n/a	n/a	n/a	n/a	n/a	n/a	pending	pending	-	n/a	n/a
Utility Capacity Improvements		n/a	n/a	n/a	n/a	n/a	n/a	n/a	pending	pending	-	n/a	n/a
Transportation Capacity Improvements		46,884,000	46,884,000	547,970	547,970	0	0	0	pending	pending	-	n/a	n/a
Public School Capacity	5,373	6,729	1,356	5,535	5,535	5,905	6,051	6,083	pending	pending	-	n/a	n/a
Annual Tax Revenue <sup>1</sup>	72,271,030	174,748,212	102,477,182	82,731,078	86,536,989	80,080,423	80,640,616	83,447,216	pending	pending	-	n/a	n/a
Retail/Service Floor Area	5,784,000	7,500,000	2,200,000	5,962,662	5,962,662	5,962,662	5,976,840	6,027,052	6,005,338	50,212	-1%	577,306	-11,123
Office/Industrial Floor Area <sup>2</sup>	30,100,000	37,700,000	7,600,000	30,327,927	30,673,881	31,973,881	31,979,928	32,009,556	32,058,721	29,628	1%	3,181,294	1,728,932
Housing Units <sup>3</sup>	54,800	61,900	7,100	55,174	55,414	55,570	55,730	56,183	56,462	453	4%	1,071	262
Jobs <sup>4</sup>	73,630	92,650	19,020	n/a	n/a	n/a	77,890	n/a	pending	pending	-	n/a	n/a
Population	132,725	150,725	18,000	135,721	137,538	138,826	140,081	141,099	142,896	1,797	10%	n/a	n/a



Notes

<sup>1</sup>FY 2004/2005 is the base year for the Balanced Growth Index. All revenues are converted to FY 2004/2005 dollars for comparison purposes.

<sup>2</sup>This index only represents net new floor area, and does not reflect tenant improvements to existing floor area.

<sup>3</sup>The number of housing units has been corrected for the base year of 2005 and the subsequent years.

<sup>4</sup>Data has been modified resulting in a decrease in base year, projections, and current year estimates. There is a significant challenge in finding reliable estimates of Sunnyvale jobs. This version of the Balanced Growth Profile provides Association of Bay Area Governments (ABAG) data from most recent publications while staff explores a more reliable annual estimate of jobs. Data for 2011 or 2012 is not yet available.

<sup>5</sup>In a "balanced growth scenario" each profiled item would increase 5% each year. Cumulative "balanced growth" to the end of 2012 would be 35%.

**5/23/13 Budget Workshop - Pending Council Requests for Information**

<b><u>Action Item</u></b>	<b><u>Reporting Mechanism</u></b>
Revise Council Travel Policy for split at the end of term	Revised Council Policy
Eliminate policy on providing new Councilmembers with diamond pen	Revised Council Policy
Council Agenda Item: Shuttle Bus in Sunnyvale	Study Session
Council Agenda Item: Withdrawal from ABAG	RTC
Re-evaluate funding for Underground Overhead Utilities project	CMBWR
Research history of General Fund contributions for park improvements	CMBWR
Review fee for unneutered dogs	Fee Schedule RTC
Bernardo Avenue Caltrain Undercrossing – Consider as part of Peery Park Specific Plan?	CMBWR
Cost estimate for renovation of Fair Oaks connector trails	CMBWR